

Hollie Koehler  
May 4-7, 2014  
APPFA- Conference Summary Report

I would like to express my thanks to the Board for their approval of my attendance at the Association of Public Pension Fund Auditors conference I attended in May. Overall the conference was very beneficial and focused on Working Together-Internal Audit & Enterprise Risk Management, Insights into Employee Fraud, Best Practices- Risks and Controls for Missing Retirees and Keys to Public Pension Investment Success.

**Important Highlights from the Conference that I would like to talk about are listed below:**

**Working Together- Internal Audit and Enterprise Risk Management (ERM):**

Risk Management is assessing and addressing risks from all sources that threaten the achievement of an organizations strategic objective. Risk management is not one person or one department. It is risk owners, risk managers, compliance and audit. This session talked about over the last few years there has been a shift in Internal Audit and Enterprise Management (ERM) activities to work together, yet maintain their respective positions. The session talked about the roles of Internal Audit and Enterprise Risk Management. The role of Internal Audit in ERM should not set the risk appetite, manage assurance on risk, impose risk management processes, or implement risk responses on management's behalf. The Internal Audits core function with regard to ERM is to provide objective assurance to the board on the effectiveness of an organization's ERM activities to help ensure key business risks are being managed appropriately and that the system of internal controls is operating effectively. ERM is the risk oversight process while Internal Audit is the assurance process.

**Insights into employee fraud in Las Vegas:**

This session discussed how internal auditors can mitigate the incidence of employee fraud through analysis of real and recent cases in Las Vegas. The session showed why internal controls in gaming and entertainment are just as relevant in ensuring the viability and continuity of public pension funds. The session talked about reviewing your organizations framework and understanding where risk lies. Why do employees commit fraud? What is their motivation and/or rationalization? Most people who commit fraud at work are not career criminals and often are trusted staff with no criminal history.

### **Risks and Controls for Missing Retirees:**

This session discussed whose responsibility is it for keeping retirees' information updated? The retiree? The Pension System? The answer is both. A panel got together and discussed some of the issues retirement systems face and struggle with. Some of the issues that were talked about is how to locate missing retirees, what if they are living abroad, how to make sure they are still alive, what is acceptable amount of time and effort needed to find them, what does ERISA require, and what are the best practices for address searching, people searching, etc. Some of the items that came out of the session were how some plans communicate to their retirees such as: websites, newsletters, brochures, emails, social media, seminars, & payroll advice slips. What controls should retirement systems have in place to ensure validity and accuracy of retiree information? Some controls that were talked about were: notarized forms, proof of identity, copy of legal documents (birth/ death certificate), and changes must be in writing with the system sending confirmation letters to both the new and old address. Some search options that were discussed in the session that other pensions systems use to ensure they have the most updated information are: LexisNexis Accurint, Google, Addresses are checked against USPS, with direct deposit forward letter though bank requesting retirees to update address, online obituary notices, and federal and state inmate searches. Another struggle for pension systems is finding out deaths of retirees in a timely fashion. This session discussed what some pension systems have in place to help with this struggle such as: Berwyn reports, Dept. of Vital Statistics, local law enforcement "wellness" visit, death match audits, and obituaries.

### **Keys to Public Pension Investment Success**

This session reviewed current public pension investment industry trends, but also discussed key investment principles that have proven successful over time for institutional investors. An organizations investment culture, along with consistency, patience, and cost management play a much more important role in generating investment returns than the newest investment product. We explored some of the factors that contribute to long term success for institutional investors.